

Message Text

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22

ACTION COME-00

INFO OCT-01 EUR-12 ISO-00 EB-07 STR-04 FEA-01 AGR-10

CEA-01 CIAE-00 DODE-00 FRB-01 H-02 INR-07 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15

ITC-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01 /107 W

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R 091029Z MAR 76

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 703

INFO ALL EC CAPITALS 1799

AMEMBASSY HELSINKI

AMEMBASSY LISBON

AMEMBASSY OSLO

AMEMBASSY REYKJAVIK

AMEMBASSY STOCKHOLM

AMEMBASSY VIENNA

UNCLAS EC BRUSSELS 2353

E.O. 11652: N/A

TAGS: ETRD, EEC, EFTA

SUBJECT: STATUS OF EC/EFTA DRAWBACK RULE

REF: STATE 35273

1. SUMMARY: REFTEL ASKED FOR THE STATUS OF EC/EFTA DRAWBACKS. THE COMMISSION HAS REVISED THE DRAWBACK PROCEDURE SO AS OF JANUARY 1, 1976 THAT IN EC/EFTA TRADE NO DRAWBACK WOULD BE GRANTED FOR PRODUCTS NOT ORIGINATING IN THE EC AND EFTA. IT ALSO PROHIBITS A DRAWBACK FOR CERTAIN OTHER PRODUCTS ORIGINATING IN THE ORIGINAL SIX MEMBER STATES AND IRELAND. END SUMMARY.

2. AGREEMENTS OF 1972 ESTABLISHED PREFERENTIAL TRADE ARRANGEMENTS BETWEEN THE EC AND EFTA COUNTRIES. (SEE OFFICIAL JOURNAL NO. L300 AND L301 OF DEC. 31, 1972.) ARTICLE 23, UNCLASSIFIED

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SECTION 1 OF PROTOCOL NO. 3 OF THESE AGREEMENTS ALLOWS A FOR

A DRAWDRAW OR REMISSION FROM CUSTOMS DUTIES WHEN PRODUCTS ARE USED IN THE MANUFACTURE OF GOODS WITHIN THE EFTA AND EC COUNTRIES. IN SUCH A CASE, THIS ARTICLE PROVIDED THAT ONCE THE DUTY APPLICABLE TO AN ORIGINATING PRODUCT, OF THE SAME KIND AS THAT USED, HAD BEEN REDUCED IN THE EC AND EFTA COUNTRIES TO 40 PERCENT OF THE BASIC DUTY (I.E. GENERALLY JAN. 1, 1975) A DRAWDRAW WOULD NO LONGER BE GRANTED ON NON-ORIGINATING PRODUCTS INCORPORATED IN THE FINAL PRODUCT.

3. A JOINT COMMITTEE DECISION WAS TAKEN ON DEC. 2, 1974 TO SUSPEND UNTIL DEC. 31, 1975, THE ELIMINATION OF THE DRAWDRAW UNDER THE PROVISION OF THIS ARTICLE. THIS DECISION WAS TAKEN BECAUSE OF PRACTICAL DIFFICULTIES IN APPLYING THIS PROVISION. FOR EXAMPLE, TRADERS HAD TO DEAL WITH VARIOUS RATES AMONG THE EFTA COUNTRIES WHICH AT TIMES MADE IT DIFFICULT FOR THEM TO DETERMINE WHEN THE APPLICABLE DUTY HAD BEEN REDUCED TO 40 PERCENT OF THE BASIC DUTY. INSTEAD, THE JOINT COMMITTEE DECIDED ON DEC. 2, 1975 (SEE OFFICIAL JOURNAL NO. L338/2) THAT NO DRAWDRAW OR REMISSION OF DUTIES WOULD BE GRANTED FOR PRODUCTS OF THE KIND COVERED BY THE AGREEMENTS NOT ORIGINATING IN THE EC AND THE EFTA COUNTRIES AS OF JAN. 1, 1976. THUS, A UNIFORM DATE WAS ESTABLISHED FOR THE REMOVAL OF DRAWDRAWS FOR ALL THE PRODUCTS CONCERNED.

4. PARAGRAPH 2 OF THE NEW PROTOCOL ARTICLE 23 PROHIBITS A DRAWDRAW OR BENEFIT FROM EXEMPTION OF CUSTOMS DUTY FOR PRODUCTS USED IN MANUFACTURE WHICH ORIGINATE IN THE ORIGINAL SIX MEMBER STATES AND IRELAND FOR PRODUCTS COVERED UNDER ARTICLE 25 OF PROTOCOL 3. (SEE OFFICIAL JOURNAL NOV. 24, 1973, NO. L324/13 FOR REVISED TEXT OF ARTICLE 25.) THIS ARTICLE APPLIES TO PRODUCTS UNDER THE OLD EFTA AGREEMENT WHICH RECEIVE LOWER DUTIES THAN THOSE CURRENTLY BEING PROVIDED UNDER THE EC/EFTA AGREEMENT. THIS PROHIBITION APPLIES UNTIL JUNE 30, 1977 WHEN MOST CUSTOM DUTIES ON IMPORTS BETWEEN THE EC AND EFTA COUNTRIES ARE TO BE ELIMINATED. THE GENERAL RULE WOULD THEN BECOME APPLICABLE.

5. DURING THIS INTERIM PERIOD, THIS PROHIBITION IS MORE RESTRICTIVE FOR THE ORIGINAL SIX MEMBER STATES AND IRELAND THAN FOR THIRD COUNTRIES. IN THE CASE OF THE EC, THE PROHIBITION APPLIES ONLY TO PRODUCTS WHICH ARE COVERED BY THE EFTA AGREEMENTS, I.E., PRIMARILY NON-AGRICULTURE PRODUCTS. AS A RESULT, SOME TYPES OF THIRD COUNTRY AGRICULTURAL PRODUCTS WHICH ARE SUBJECT TO DUTIES ON IMPORTS INTO DENMARK AND THE UK AND WHICH ARE USED IN THE MANUFACTURE OF ANOTHER PRODUCT EXPORTED TO AN EFTA COUNTRY WOULD BE ELIGIBLE FOR A DRAWDRAW.

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THIS PROHIBITION APPLIES TO ALL PRODUCTS SUBJECT TO NO DUTY WITHIN THE COMMUNITY. BUT, IN THE CASE OF THIRD COUNTRIES, THE PROHIBITION APPLIES ONLY TO PRODUCTS WHICH ARE COVERED BY THE EFTA AGREEMENTS, I.E., PRIMARILY NON-AGRICULTURE PRODUCTS. AS A RESULT, SOME TYPES OF THIRD COUNTRY AGRICULTURAL PRODUCTS WHICH ARE SUBJECT TO DUTIES ON IMPORTS INTO DENMARK AND THE UK AND WHICH ARE USED IN THE MANUFACTURE OF ANOTHER PRODUCT EXPORTED TO AN EFTA COUNTRY WOULD BE ELIGIBLE FOR A DRAWDRAW.

THE SAME AGRICULTURAL PRODUCTS TO DUTY ON IMPORTATION TO THE
UK AND DENMARK WOULD NOT RECEIVE A DRAWBACK.

6. THE REVISED ARTICLE 23 CONSEQUENTLY MODESTLY DISCRIMINATES
AGAINST EC EXPORTS. COMMISSION OFFICIALS SAY THE EC ACCEP-
TED THIS TEMPORARY DISCRIMINATION IN ORDER TO GAIN THE BENEFITS
OF A SIMPLIFIED SYSTEM FOR DETERMINING THE ELIGIBILITY OF
PRODUCTS FOR A DRAWBACK OR REMISSION OF CUSTOM DUTIES.
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